

Audit Committee minutes

Monday 8 June 2015

Members

Ian Watmore (chair)
Ailsa Beaton
Roger Barlow

Non-Executive Director
Non-Executive Director
Independent Audit Committee
member

Attendees:

ICO

Simon Entwisle
Christopher Graham
Louise Byers
Heather Dove

Deputy Chief Executive Officer
Information Commissioner
Head of Good Practice
Head of Finance

Internal Auditors

Phil Keown
Paul Eckersley

Grant Thornton
Grant Thornton

External Auditors

James Edmands
David Eagles

National Audit Office (by telephone)
BDO

Secretariat

Peter Bloomfield
Neil Bostock

Senior Corporate Governance Manager
Corporate Governance Officer

1. Introductions and apologies

- 1.1. There were apologies from Alison Langridge of BDO. James Edmands attended by telephone.

2. Declaration of interests

- 2.1. There were no declarations of interest.

3. Matters arising from the Audit Committee meeting of the 9 March 2015

- 3.1. The minutes of the meeting had been agreed by correspondence. There were no further comments.
- 3.2. All action points had been cleared.

4. Commissioner's update

- 4.1. The Commissioner provided an update on issues currently affecting the ICO including the recent general election and subsequent change in government and ministers, and the outstanding Triennial Review. There was no indication of any planned changes to freedom of information legislation.
- 4.2. In respect of the Triennial Review it has been proposed that Christopher Graham and Ian Watmore meet with the head of the Challenge Group to discuss options. There was a need for Ministers to come to a decision soon, in particular in light of the timescale for recruiting a new Commissioner to be in place by 29 June 2016.
- 4.3. The recruitment of a new Deputy Commissioner for Data Protection was in train with a decision expected by 10 July.
- 4.4. A decision was still awaited from the Ministry of Justice (MOJ) on Wilmslow accommodation. The lease on Wycliffe House expires on 31 December 2016. Simon Entwisle advised that the MOJ had committed to complete the business case for the preferred option in time for the next ICO Management Board.
- 4.5. There was movement on agreement of the EU data protection regulation. Final agreement was not expect till early 2016; followed by a two year period within which to implement the new regulation.
- 4.6. The ICO had been suffering from IT problems for the last couple of weeks. The IT was back up and running but the

incident had highlighted the need to consider the impact of IT service contracts on IT resilience and recovery.

- 4.7. The PCS work to rule had been suspended. Negotiations were now taking place on the July 2015 pay remit. The Remuneration Committee was meeting shortly.

5. External audit

- 5.1. BDO and the NAO presented the final audit completion report 2014-15.
- 5.2. The list of outstanding issues was updated. Only the pension information was still awaited. Historically it had proved difficult to get the required data from MyCSP and this year was proving no different. The Committee advised that the matter be escalated if need be.
- 5.3. The implementation of the new finance system had been identified as a large risk. However, the process had gone very smoothly and the Finance team was commended for their hard work in making the transaction as smooth as it had been.
- 5.4. The correct apportionment of the ICO's two main funding streams had also been identified as a risk area. But BDO/NAO were content that money had been correctly apportioned. The only outstanding matter was for the ICO to ensure that the Framework Agreement with the MOJ was updated to reflect the in-year change in the apportionment model. This had not as yet been done as the Triennial Review may propose changes to the ICO which would also need to be reflected in the Framework Agreement. The ICO and MOJ had therefore agreed to delay reviewing the agreement until the results of the Triennial Review were known.
- 5.5. The third risk area identified had been the risk of fraud arising from management override of controls. The auditors had found no evidence of this and were therefore providing a clean audit.
- 5.6. The audit had identified a possible material misstatement in respect of property, plant and equipment dating back to 2009 that could not be identified. The accounts would have to be amended if the equipment could not be identified. [This point was subsequently cleared by the identification of much of the relevant equipment.]

Action point 1: Heather Dove to undertake further work to identify whether or not the property, plant and equipment existed.

5.7. BDO/NAO noted that all of last year's recommendations had been cleared.

5.8. The draft letter of representation was discussed. It was agreed to amend the final paragraph of the letter to reflect that the one exit package during the year would be disclosed.

Action point 2: James Edmands to correct the letter of representation.

5.9. The Committee agreed that the identified misstatements should not be corrected.

6. Risk Register

6.1. The risk register had been updated since the last Management Board meeting, having been discussed by Executive Team and Leadership Group.

6.2. Simon Entwisle advised that the ICO was still in negotiation with the MOJ over set the delegated capital expenditure limit of £100k. The ICO had requested £850k. Having to meet a much lower limit would seriously impact on the ability of the ICO to do its job.

6.3. It was noted that a final decision might not be made until after the July emergency budget.

6.4. There remained concerns about the lack of effective mitigation in certain areas. The Committee felt that Management Board discussion on risk appetite would be helpful to the ICO in deciding whether or not further mitigation was needed in some areas; eg public reputation, staff and finance.

Action point 3: Peter Bloomfield to facilitate the bringing of a paper on risk appetite to the July Management Board.

7. Strategy for registration fees

7.1. Simon Entwisle introduced an update of a paper which had come to the last Management Board on the ICO strategy for registration fees.

7.2. Since then a registration steering group had been set up to direct the work reviewing current registration and fee paying arrangements. Research had started on understanding the profile of the current register and on estimating the total number of registerable data controllers. The aim was to make any changes to the registration system by April 2016 if

possible; ie the process would aim to influence the 2016-17 budgeting process.

- 7.3. It was the intention that any changes made in the near future would also work under the proposed EU data protection regulation. This, as it currently stood, removed the need for data controllers to register; however, proposals did not preclude charging data controllers a fee. If a fee was not charged data protection work would need to be funded by other means, for example grant in aid.
- 7.4. The Committee expressed support for an information rights levy to provide funding for both data protection and freedom of information work. The MOJ and Treasury were concerned that such a system would result in the private sector cross subsidising freedom of information work. This would not necessarily need to be the case, if for example; public authorities were charged higher amounts. The NAO advised that decisions on this were policy matters for the MOJ.

8. Outstanding audit recommendations

- 8.1. Peter Bloomfield advised that the only outstanding internal audit recommendation was for the ICO to review its information rights strategy. This awaited the appointment of a new Deputy Director for Data Protection this autumn and a new Commissioner in June next year.
- 8.2. The Committee noted the reasons for the delay and recommended that initial work on reviewing the information rights strategy could begin.

Action point 4: Christopher Graham to consider how best to take forward initial work on reviewing the information rights strategy

9. Internal audit

- 9.1. Grant Thornton introduced reports on the Project Eagle lessons learnt review and the Follow up review. There was one low risk recommendation in the latter report relating to the collecting of evidence on clearance of audit recommendations.
- 9.2. Grant Thornton also introduced their annual report. This detailed the audit work done during the 2014-15 year and provided a clean audit opinion.

- 9.3. Finally the agreed audit plan for 2015-16 was presented for information. This involved more days of audit work but the cost was lower than previously due to the mix of staff used.

10. ICO Audit Committee annual report 2014-15

- 10.1. Peter Bloomfield presented the draft Audit Committee Annual Report 2014-15. This document helped inform the Commissioner's governance statement in the ICO Annual Report and Accounts 2014-15. An earlier draft had come to the March meeting and was coming to this meeting for final agreement now that the opinions of internal and external auditors had been given. There were no changes proposed.
- 10.2. Peter Bloomfield confirmed that the report would be finalised and published shortly.

11. ICO annual report and accounts 2014-15

- 11.1. Peter Bloomfield presented the draft ICO Annual Report and Accounts 2014-15. The aim was to produce as near final draft as possible by Friday and to get it to the designers. Minor amendments could be made subsequent to this but they needed to be kept to a minimum.
- 11.2. It was noted that pension information, as already discussed, was awaited. In addition the final draft would have to recognise decisions on the property, plant and equipment issue (action point 1 above).
- 11.3. It was noted that the accounts included provision for dilapidations in respect of Wycliffe House. The possibility of dilapidations for the Wales and Scotland offices was mentioned in the accounts but no figure had been included.
- 11.4. Heather Dove advised that any dilapidations for the two offices mentioned would be low and not material. However she would confirm the position.

Action point 5: Heather Dove to confirm the position relating to dilapidations for the Scotland and Wales offices.

- 11.5. There was a query over budget headings. These were clarified.
- 11.6. In respect of sustainability reporting the Committee was advised that the ICO had not been including emissions from

flights booked by staff directly. Accurate figures for 2014-15 had now been collated.

- 11.7. Christopher Graham advised the Committee that he had received an email from the MOJ that morning explaining that the Treasury consider that Treasury approval had been needed for the July 2014 increases in Deputy Commissioner salaries. Retrospective approval could be sought to regularise the payments. A small administrative penalty might be applied.
- 11.8. It was agreed that the Commissioner, via the MOJ, would seek to gain retrospective approval for the payments. [Retrospective permission was subsequently given by the Treasury].

12. Integrated assurance

- 12.1. Louise Byers considered that the integrated assurance process was now well embedded in the ICO. The next round of audits focused on HR activity such as recruitment and performance reporting had just been launched. This linked with areas agreed for internal audit.
- 12.2. It was agreed that the committee no longer needed reports on integrated assurance as a standing item. Reports should be provided on an exceptional basis.

13. Fraud, whistleblowing and security incidents

- 13.1. Peter Bloomfield advised that there had been 15 non-significant incidents reported to the Information Governance manager during the last quarter of 2014-15.
- 13.2. The Committee agreed to all members of the Executive Team being included in the list of people asked to contribute to the report on fraud, whistleblowing and security incidents.

14. Any other urgent business

- 14.1. There was no other business.